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MAR 27 1963

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# Operating Loans for

## BETTER FARMING BETTER LIVING



U. S. DEPARTMENT OF AGRICULTURE  
Farmers Home Administration

# OPERATING LOANS

- Livestock
- Equipment
- Operating Expenses
- Refinancing

The Farmers Home Administration makes operating loans accompanied by technical management assistance to operators of not larger than family farms primarily to assist them in making adjustments and improvements in their farm and home operations necessary for successful farming — buy livestock and equipment, pay operating expenses, and refinance debts. Loans may also be made to these farmers (1) to finance recreational enterprises which will supplement their farm incomes, (2) produce trees and other forestry products, and (3) produce fish under controlled conditions.

Each operating loan is tailored to the individual borrower's needs. The Farmers Home Administration county supervisor assists the borrower in analyzing his resources and planning how these resources plus those obtained by the loans may best be used.. The county supervisor also makes visits to the borrower's farm to help solve problems that arise in making major adjustments in his farming operations and in adopting improved farm and home practices.

Operating loans are made only to farmers who are unable to obtain the credit they need from other sources at reasonable rates and terms.

Applications from eligible veterans are given preference. Both veterans and non-veterans must meet the same requirements and qualifications for loans.

Operating loans are made under the provisions of the Consolidated Farmers Home Administration Act of 1961, as amended in 1962, from funds authorized by the Congress.

Questions and answers explaining details of these loans follow:

## How may loan funds be used?

Operating loans may be used to buy cattle, hogs, other livestock; poultry; tractors, plows, sprayers, other farm equipment; food freezers, other home equipment; fencing; to make minor improvements to buildings and land; and to develop water supply systems for home use, livestock, and irrigation.

These loans may also be used to pay for farm and home operating expenses such as feed, seed, tractor fuel, lime, fertilizer, chemical sprays, hired labor, hail and crop insurance, food, clothing, medical care, and personal insurance.

Loans may also be used to buy equipment and to pay operating expenses for producing and harvesting trees and other forestry products and to finance the production of fish under controlled conditions in ponds, streams, and lakes.

Loans may also be used to finance recreational enterprises — purchase equipment, animals and game birds, finance minor real estate improvements, and to pay the expenses related to operating such recreation enterprises as fishing, horseback riding, camping, hunting, and picnic grounds.

When necessary to assure a sound operation, loan funds may be used to refinance debts other than real estate debts.

Funds may also be used to purchase membership and stock in farm purchasing and marketing and service-type cooperatives and certain types of recreational cooperatives.

Loan funds are used to pay for only those items essential to the success of the proposed operations.

## What are the terms and interest rate?

The interest rate is 5 percent per year on the unpaid principal, except that the rate on loan funds used for forestry purposes is 3 percent. Each loan is scheduled for repayment within a period con-

sistent with the borrower's ability to repay. Funds advanced for animal operating expenses are repaid when the crops, livestock, or livestock products produced during the year are sold.

Funds loaned for productive livestock and for real estate improvements may be scheduled for payment over periods up to 7 years and in some situations be renewed for an additional period not to exceed 5 years. Loans for equipment are generally scheduled for payment over periods up to 5 years.

A borrower has the privilege of making large payments in years of high income to build up a reserve that may keep the loan in good standing during years of low income.

Each borrower is expected to refinance the unpaid balance of the loan when able to obtain such refinancing at reasonable rates and terms from other lenders.

## Who may borrow?

To be eligible, an applicant must:

- (1) Have a farm background and the farm experience or training needed to be successful in the proposed farming operation.
- (2) Possess the character, industry, and ability to carry out the proposed farming operation. When a loan for recreational purposes is being considered, possess the ability necessary to carry out the proposed enterprise.
- (3) Manage and operate the farm.
- (4) Be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance his actual needs.
- (5) Be a citizen of the United States and of legal age.
- (6) After the loan is made, be an owner or tenant operating not larger than a family farm.

## Who determines eligibility?

The county or area committee of the Farmers Home Administration deter-



mines the eligibility of applicants. The committee consists of three farmers who know local farming and credit conditions and what it takes for success. Before acting on an application, the committee may ask the farmer and his wife to meet with them or they may visit the farm.

If the applicant is eligible,  
what is the next step?

The Farmers Home Administration county supervisor will assist the applicant in working out a farm and home plan to make the best use of land and water resources, labor, livestock, and equipment. This plan will be a guide for the borrower and his family in determining the soundness of the proposed operation and to follow in operating the farm. It will show the crops and livestock the borrower expects to produce for sale and home use practices to follow in caring for land, crops, and livestock; proposed expenditures for livestock and equipment for running the farm and home; and the expected income and how it will be used. Before a loan is made it must be clear that the borrower will have enough income to meet farm operating and family living expenses and to repay the loan and other debts.

What other steps may be taken  
before the loan is made?

In certain cases the county supervisor will assist the applicant in contacting his creditors to determine if his debts can be adjusted or consolidated and repayments extended over a longer period of time. This credit service is designed to help those farmers who are in serious financial trouble and need assistance in working out the orderly settlement of their debts in line with their planned income from the farming operations and other sources.

## Should a tenant have a lease?

Yes. The Farmers Home Administration will not make the loan unless the applicant has the use of a farm of sufficient size and productivity, for a long enough period, to permit him to carry out a successful farming program. It is highly desirable for the applicant and the supervisor to discuss the proposed farming operation with the landlord in considerable detail so that a sound plan for operating the farm may be developed and agreed to by all parties and that a written lease may be obtained which is fair to both the tenant and the landlord.

## What additional management assistance may the borrower receive after the loan is made?

Operating loans are accompanied by advice in sound farm and home management to help borrowers make profitable use of their land and water, labor, capital, and other resources that will be available to them. The county supervisor furnishes advice and assistance in keeping accurate records of expenses and income and in budgeting and otherwise making wise use of income and credit. He also provides on-the-farm assistance with farm and money management problems during the first few years of the loan.

## May farmers obtain part of their operating credit from the Farmers Home Administration and part from other lenders?

Yes. Borrowers are encouraged to meet as much of their credit needs as feasible through other sources when such credit is available to them on terms that will meet their needs.

## What security is required?

Each loan will be adequately secured to protect the interests of the Government. Security will usually consist of



a first mortgage on crops to be produced, as well as on livestock and equipment purchased or refinanced with loan funds. Also a mortgage may be taken on certain other chattel property and, depending on the circumstances in the borrower's case, an assignment taken on income such as that from a dairy enterprise.

## What determines the size of loan?

The county supervisor and the local committee determine the amount of Farmers Home Administration credit which can be made available to an applicant by considering his plan of operation and his ability to repay the loan rather than the amount of security he can provide. In no case may a borrower's total principal indebtedness for Farmers Home Administration operating loans exceed \$35,000.

## May a farmer with off-farm income qualify for a loan?

Yes, if he is otherwise eligible, has dependable off-farm income, and will be receiving a substantial portion of his cash income from farming.

## Does it cost anything to apply for a loan?

No. If a loan is made, however, the borrower pays the small fees charged by local county governments for making a lien search of his debts which are on record and for filing and recording the chattel mortgage held by the Farmers Home Administration.

## What other loans are made by the Farmers Home Administration?

Loans may also be made to purchase and develop farms, build and improve rural homes and essential farm service buildings, provide rental housing for senior citizens, develop water supplies and carry out soil conservation meas-

ures, build housing for farm laborers, develop watersheds, and to meet emergency credit needs of farmers suffering from a natural disaster such as hail, flood, or drought.

## How do operating loans aid in rural areas development?

Operating loans help farm families acquire the resources and skills they need to improve their operations, raise their standards of living, increase their incomes, and participate in new enterprises. This assistance in turn stimulates business activity in neighboring towns and in general helps the farm families and the communities of which they are a part make an important contribution to the strength of the national economy.

## If a farmer is not eligible for a loan from the Farmers Home Administration, may he obtain financial Advice?

Yes. The county supervisor will do all that he can to help a farmer find a solution to his financial problems. Sometimes this may mean helping the farmer and his creditors work out a repayment schedule that is in line with the farmer's repayment ability. Sometimes it may mean a close analysis of just how much a farmer can afford to borrow.

## Where to apply for a loan?

A farmer applies at the county Farmers Home Administration office serving the area in which he expects to carry out his farming operations. There he will be given an application blank, and the supervisor will be glad to answer any questions he may have.

Anyone unable to locate the local office may write to the Farmers Home Administration, U. S. Department of Agriculture, Washington 25, D. C.

Washington, D. C.

Revised January 1963